

**DRAFT**  
**One Year Action Plan**  
**FY 2005**

**Massachusetts**  
**Community Development Block Grant Program**

**September 2004**



**Commonwealth Of Massachusetts**

Mitt Romney, Governor  
Kerry Healey, Lt. Governor

**Department of Housing and Community Development**

Jane Wallis Gumble, Director

## **FY 2005 Draft One Year Plan - Preface**

The U.S. Department of Housing and Urban Development (HUD) requires the Commonwealth of Massachusetts, and all other Formula Grantees, to prepare a Five Year Consolidated Plan. The state's Consolidated Plan sets forth long term priorities for the use of funds received from HUD's Community Development Block Grant (CDBG), HOME, Emergency Shelter Grant (ESG), Housing Opportunities for People with AIDS (HOPWA), and American Dream Downpayment Initiative (ADDI) programs, and from other state and federal sources.

The preparation of this One Year Plan has considered and been informed by the concurrent development of the FY 2005 – 2009 Five-Year Plan. Publication of the draft Massachusetts CDBG One-Year Plan and Application takes place in advance of the Five Year Plan/One Year Plan public participation schedule that incorporates the HOME, ESG, HOPWA and ADDI programs. DHCD held informational sessions on CDBG program design changes considered for FY 2005 during mid-June 2004, will hold additional information sessions on the Draft CDBG One Year Plan in October 2004, and will hold formal public hearings on the overall One Year Plan later in the fall of 2004.

DHCD is encouraging communities to approach CDBG projects in a coordinated and integrated manner and encouraging communities to target their CDBG funds to particular geographic areas in order to impact and effect change within neighborhoods. This approach is in line with HUD's recent emphasis on coordinating funding and enhancing communities' ability to engage in comprehensive revitalization strategies. DHCD is seeking to assess the impact of CDBG investment in distressed areas through the focused targeting of financial and technical assistance resources. DHCD is encouraging communities in their planning processes to think comprehensively about community development – to consider planning and implementing projects that promote compact development, expand housing opportunities, and demonstrate measurable change in an area.

DHCD's intent is to provide for a number of activities that concentrate investments making measurable improvements in distressed neighborhoods. Comprehensive approaches to meeting the needs of these areas should be designed to improve the physical, social and economic conditions of low- and moderate- income families and neighborhoods.

Communities are encouraged to submit applications that include activities that are integrated with one another and targeted to a particular neighborhood or geographic area. For example, we are seeking applications that include a housing rehabilitation program that is targeted to a particular area, an infrastructure or playground improvement project to be undertaken in that same area, and perhaps also social service programs that will serve the residents of a that same area. DHCD acknowledges that establishing such a program entails comprehensive planning and envisions that the Community Development Strategy will serve to inform this process.

Throughout the next year, DHCD will be continuing the review of the CDBG program. As part of this review, we will be convening regional focus groups to address, among other things, how to best design and implement this comprehensive, integrated and geographically targeted approach for rural, suburban and urban areas.

The Council of State Community Development Agencies (COSCDA), of which DHCD is a member, is spearheading an effort with several other national organizations of local and state grantees to refine a "Performance Outcome Measurement System" framework. The effort, which is in response to CPD Notice 03-09, is expected to lead to a comprehensive approach to the measurement of outcomes for HUD's four major community development formula grant programs – Community Development Block Grants, HOME Investment Partnerships Program, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS. Once completed, the system will include objectives, outcomes, and indicators for each type of activity undertaken with funds made available from these programs. Massachusetts plans to use this system once it is finalized.

The following summarizes proposed changes and clarifications in this Draft FY 2005 CDBG One-Year Plan.

### **Highlighted Clarifications/Proposed Changes in Draft FY 2005 One-Year Plan**

- DHCD has evaluated the Mini-Entitlement Program, determined that the rationale for the program still exists, and will continue to fund certain communities on an annual basis through this set-aside. DHCD applied the new 2000 Census data to the Mini-Entitlement formula, and changes in demographics have resulted in a new list of eligible Mini-Entitlement communities. Please see page 17. All FY 2004 Mini-Entitlements no longer so designated will be eligible for up to \$200,000 in FY 2005 in transitional assistance and will be able to attempt to supplement those funds through the competitive CDF process. New Mini-Entitlement communities with minimal recent experience with CDBG will be transitioned into the program with \$100,000 in planning funds.
- Mini-Entitlements will be eligible for up to \$600,000. In addition to meeting threshold requirements, projects in a Mini-Entitlement application must receive **27** points in a scored application packet in order to be funded. Projects that do not meet all thresholds and do not receive **27** points when scored will not be funded and the community's Mini-Entitlement award will be reduced accordingly. DHCD will offer enhanced technical assistance to Mini-Entitlement communities including comprehensive planning, revitalization planning, priority setting, and project planning and development. Mini-Entitlements will receive, at a minimum, grants of \$200,000.
- Beginning in FY 2005, most economic development activities will apply under the Economic Development Fund (EDF). The range of economic development activities that may apply to EDF include those eligible under HCDA Sections 105 (a)(17) and (a)(22), Assistance to For-Profits and Microenterprise Assistance, respectively. In limited circumstances (i.e., when related to economic development projects leading to job creation or retention), applications will be accepted for other eligible activities identified in HCDA Section 105 (a), especially Sections 105 (a)(1), (a)(2), (a)(12), (a)(14), (a)(15) and (a)(19). Additionally, EDF will accept applications for Public Social Services activities supporting community economic development programs eligible under HCDA Section 105 (a)(15), provided they are specifically designed to increase economic opportunities through job training and placement, and other employment services including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services. Public Social Services activities under Section 105 (a)(15) are subject to Public Benefit rules.

CDF and Mini-Entitlement applications may still include certain economic development-related activities, including Public Social Services activities that support economic development and downtown/commercial target area related projects and activities, which include facade/sign programs and/or streetscape improvements. Applications for downtown/commercial target area related projects and activities will not be accepted in the EDF.

- DHCD seeks to strengthen consistency of CDBG-funded projects with the principles of Sustainable Development in two ways: 1) applicants will be required to incorporate sustainable development principles into their Community Development Strategies, and 2) as a threshold, individual projects must be consistent with the sustainable development principles listed in Exhibit 5. This threshold does not apply to Public Social Service activities.
- Housing rehabilitation programs and public facilities projects will be required to use Energy Star building performance standards in FY 2005. Those standards are found at [www.energystar.gov](http://www.energystar.gov). Streetlights installed as part of a road or streetscape improvement project must be "full cut-off" or "semi cut-off" fixtures. Additional guidance will be provided in the FY2005 CDBG Application.

- DHCD will continue to offer bonus points to communities certified as being in compliance with EO 418 for applications with deadlines, and will continue to require EO 418 certification for program components with rolling application process.
- As forewarned in the FY 2003 and FY 2004 One Year Plans, in an effort to further reduce uncertainty in construction project planning, improve readiness to proceed, and to allow for improved accuracy in cost estimating and project timeline planning, DHCD will require bid-ready plans and specifications for all public facilities and architectural barrier removal projects of \$25,000 or more. **However, if the project is exclusively for the rehabilitation of an existing facility and does not involve structural changes requiring an engineer, and the total project cost does not exceed \$75,000, a community may submit a written request to the CDF Manager at DHCD for approval to submit bid-ready specifications only.**

In addition, DHCD recognizes that this requirement may be problematic for communities considering modular construction projects. Therefore, to satisfy the concerns above, in order to apply for assistance to undertake modular construction, a community must provide DHCD with a reasonable cost estimate for the project. Total costs for modular construction projects must include the cost of site preparation, off-site construction of the modular unit, and the cost of delivering and assembling the modular unit including all work necessary - including but not limited to all utility work and sub-trades - to result in the issuance of an occupancy permit. To accomplish this, the community must provide the following: the program for the building; plans, specs, and prices of comparable unit(s) from the manufacturer; evidence of the manufacturer's ability to deliver the unit during the timeframe for construction identified in the grant application; and a site plan that has received formal site plan review by the municipality including the Conservation Commission, if applicable.

- Communities seeking CDBG funds for senior center projects must request elderly low- and moderate-income household data from DHCD prior to submitting an application. Please contact Karen Bresnahan of the Policy and Planning Unit at (617) 573-1441 or [Karen.Bresnahan@ocd.state.ma.us](mailto:Karen.Bresnahan@ocd.state.ma.us) to request this information.
- An application will not be considered a joint application if the only activity (or activities) proposed to take place in more than one of the co-applicant communities is public social services.
- **Notice of intent to apply to CDF I, CDF II and Mini-Entitlement will be required, due 14 days before the application deadline. Information included in the notice can be amended up until the application deadline. The notice will be used by DHCD for informational and planning purposes only, and should include the information contained in the application coversheet (unsigned), including participating communities, project packet cover sheets, project types and number of packets (of each project type), as well as rough budget information.**
- In HDSP, projects other than SROs that include at least one (1) affordable three-bedroom unit, with no other unit smaller than one bedroom, will receive additional scoring consideration.
- For all Mass CDBG components an applicant must meet the timely expenditure threshold requirement at the time of application. **DHCD no longer accepts waiver requests for the timely expenditure threshold.** Furthermore, unexpended CDBG funds are defined as funds awarded for eligible Massachusetts CDBG program costs but not expended. Funds returned to DHCD during the six (6) months prior to the FY05 application due date are not considered expended funds. Neither the return of Mass CDBG funds nor a reduction in a grant award, during that six-month period, will reduce the amount of unexpended funds a grantee is determined to have.

- Application due dates are proposed as follows:

**CDF: Due Thursday, January 27, 2005**

**Mini-Entitlement: Due Thursday, January 27, 2005**

**HDSP: Round 1 Notice of Intent due October 28, 2004, application due December 16, 2004**

**Round 2 Notice of Intent due March 24, 2005, application due May 12, 2005**

All program components in the Economic Development Fund have rolling applications.

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<p style="text-align: center;"><b>MASSACHUSETTS CDBG</b> <b>DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2005</b></p>
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***INTRODUCTION:***

This Draft One Year Action Plan describes the proposed use of Community Development Block Grant (CDBG) funding received by the Commonwealth of Massachusetts. The CDBG Program is a significant source of federal funding administered by the Department of Housing and Community Development, supporting a variety of community development efforts to revitalize our communities, meet the housing and service needs of our low and moderate-income population, build and repair infrastructure vital to the health and safety of residents, and support business development and retention. The One Year Plan addresses the basic features of the state's CDBG program, the applicable federal regulations and requirements governing state and local administration of this program, and the state's policies, administration responsibilities, and description of the program components.

In its administration of CDBG funding, DHCD is committed to:

- Programs and funding that primarily target populations of low- and moderate-incomes and those with special needs;
- Coordinated, integrated and balanced agency responses to address the needs and interests of communities;
- Programs and technical assistance designed to facilitate informed decision-making about community development opportunities at the local level, and to encourage self-sufficiency of residents and communities;
- Projects that are consistent with the Commonwealth's Sustainable Development Principles; and
- Sound business practices that ensure the highest standards of public accountability and responsibility.

The Council of State Community Development Agencies (COSCDA), of which DHCD is a member, is spearheading an effort with several other national organizations of local and state grantees to refine a "Performance Outcome Measurement System" framework. The effort, which is in response to CPD Notice 03-09, is expected to lead to a comprehensive approach to the measurement of outcomes for HUD's four major community development formula grant programs – Community Development Block Grants, HOME Investment Partnerships Program, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS. Once completed, the system will include objectives, outcomes, and indicators for each type of activity undertaken with funds made available from these programs. Massachusetts plans to use this system once it is finalized.

The One Year Action Plan is organized into the following sections:

SECTION	A.	Massachusetts CDBG Priorities
	B.	Eligible Municipalities
	C.	Eligible Projects/Use of CDBG Program Funds
	D.	Applicant/Project Threshold Criteria
	E.	Allocation of CDBG Funds to the Commonwealth
	F.	Availability of CDBG Program Funds
	G.	Evaluation Criteria for All Program Components
	H.	Program Sanctions
	I.	Citizen Participation Requirements for Applicants and Grantees
	J.	CDBG Program Components (description)

## **A. MASSACHUSETTS CDBG PRIORITIES**

The Community Development Block Grant (CDBG Program) was authorized by Congress, and is funded under Title I of the Housing and Community Development Act of 1974, as amended. The Commonwealth of Massachusetts has designated the Department of Housing and Community Development (DHCD) as the state's administering agency for CDBG funding. The primary objective of the federal statute creating the CDBG Program is: “...to develop viable, urban communities by providing decent housing and suitable living environment and expanding economic opportunities principally for low- and moderate-income persons.” DHCD will fund eligible projects designed to meet this objective, and that are consistent with the Commonwealth’s sustainable development principles listed in Exhibit 5. DHCD encourages:

- development and preservation of affordable housing;
- proactive and coordinated planning oriented towards both resource protection and sustainable economic activity;
- coordinated, integrated community development initiatives that are targeted to neighborhoods or particular geographic areas, that meet the needs of these areas, and are designed to demonstrate measurable improvements in the physical, social, and economic conditions of the area;
- downtown revitalization that is integral to community development; and
- broad local participation in meaningful community-based planning that assesses needs and identifies strategies for addressing those needs.

The Act requires that at least 70 percent of CDBG assistance shall be used to support activities that directly benefit low- and moderate-income citizens of the Commonwealth. In addition, the Massachusetts CDBG Program encourages joint or regional applications so that program funds will be used to benefit a greater number of municipalities.

## **B. ELIGIBLE MUNICIPALITIES**

There are 351 municipalities incorporated in Massachusetts. The U.S. Department of Housing and Urban Development (HUD) has designated 35 as CDBG *entitlement* communities; in general, these communities exceed 50,000 in population and receive CDBG funds directly from HUD. Any city or town **not** designated as an entitlement community by HUD may apply for and receive Massachusetts Community Development Block Grant funds. (Refer to Exhibit 1 for a listing of Massachusetts’ entitlement communities.)

## **C. ELIGIBLE PROJECTS**

The following projects are eligible for funding under the Massachusetts Community Development Block Grant Program:

- planning;
- housing rehabilitation and creation of affordable housing;
- economic development projects which create and/or retain jobs including awards to existing regional entities for regional economic development loan funds;
- efforts directed toward rehabilitation and stabilization of existing neighborhoods, commercial areas and downtowns;
- infrastructure;
- construction and/or rehabilitation of community facilities; and
- public social services.

DHCD has designed several Massachusetts CDBG program components to fund such projects. Each program component responds to particular community development needs. The rules and program guidelines are set forth in Section J: *PROGRAM COMPONENTS*.

## **LIMITATIONS ON USE OF PROGRAM FUNDS**

- **Buildings used for the general conduct of government** - Assistance related to buildings used for the general conduct of government is specifically excluded from the program by federal statute, except for the removal of existing architectural barriers to improve handicap access. Such work is permitted on municipal buildings such as city or town halls, public works structures, public safety buildings, etc., **however the use of CDBG funds is limited to the minimum amount of work needed to remove an existing barrier.**
- **Public Social Services**
  1. Public Social Services projects are not eligible as a "stand-alone" application under Community Development (CDF) I and II and Mini- Entitlement grants. Furthermore, an application will not be considered a joint application if the only activity proposed to take place in more than one of the co-applicant communities is public social services.
  2. Public Social services cannot exceed 20% of a CDF I, CDF II, or Mini- Entitlement grant. (Note: The 20% limit does not apply to social services designed and provided solely to support micro-businesses, or public social services that increase employment through job training or other related activities when carried out by eligible non-profit development organizations under 105(a)(15). These activities must apply under the EDF.)
  3. Communities must demonstrate that, in accordance with Section 105(a)(8) of the Housing and Community Development Act, proposed social service activities have not been funded by the community using municipal and/or state funds within 12 months prior to the application.
  4. DHCD will fund public social service projects that are not provided by other state or federal agencies, or are currently provided but are not available to CDBG-eligible residents in the applicant communities.
  5. Planning funds may not be used to plan for public social service programs except as part of a broader community development planning project.
- **Downtown / commercial target area related projects** - Communities may apply for funds for downtown or commercial district related projects under CDF I, CDF II, and the Mini-Entitlement Program. Conditions listed below apply to CDF I, CDF II, and the Mini-Entitlement Program. Such projects may include facade/sign programs and streetscape improvements, or other infrastructure improvements located in a downtown or commercial district revitalization target area that is defined in the Community-Based Planning documents and delineated in the slums and blight documentation supporting the Community Development Strategy.
  1. DHCD may fund projects that support physical downtown and commercial area revitalization efforts; however, communities may apply to Mass CDBG for downtown / commercial target area related projects in their downtown or commercial target areas only if a) they have satisfactorily demonstrated to DHCD that the proposed project is located in an area meeting National Objective requirements set forth in the Application Guidance on Threshold Questions, and b) their community development strategy (see page 5) contains a downtown or commercial area revitalization element.



2. CDBG funds **cannot** be used to fund overhead costs or management salaries related to the operation of a downtown organization, nor can they be used for any organizational development for a downtown organization or committee.

- **15 Year Housing Affordability Term** – In an effort to increase the supply of affordable housing, all projects supporting the creation, preservation, and rehabilitation of rental and owner-occupied housing units must be affordable to low and moderate income households for at least a 15-year period. Rehabilitation assistance for owner-occupied properties must be secured by a mortgage or lien on the subject property that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years - or as long as the loan is outstanding. Rehabilitation assistance for investor-owned properties must be secured by a mortgage or lien, and the affordability requirements must be secured by an **Affordable Housing Restriction** [provided by DHCD] on the subject property that runs with the land, and that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years. “Owner-occupied” is defined as a property of no more than four (4) units, one of which is occupied by the owner. All other properties are considered “investor owned.”

<b>D. APPLICANT/PROJECT THRESHOLDS</b>
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It is the responsibility of the applicant to ensure adherence to the applicable threshold(s). The following standard threshold criteria (#1 through #6) apply to all applications:

1. **Eligibility** - The project must be eligible as defined in §105(a) of Title 1 of the Housing and Community Development Act, as amended.
2. **National Objective** - Each project must meet one of three federal national objectives as defined below and in federal regulations 24 CFR 570.483:
  - a. benefit a majority of low- and moderate-income persons;
  - b. aid in the prevention or elimination of slums or blight; or
  - c. meet an urgent condition posing a serious threat to the health and welfare of the community and where other financial resources are not available to meet such needs. This objective is extremely difficult to meet and is generally limited to unexpected events such as natural disasters. Prior approval from Massachusetts CDBG must be obtained to use this national objective.
3. **Timely Expenditure** – Mass CDBG requires that all applicants - including lead applicants and joint participants - who have received grants comply with a timely expenditure threshold in order to apply for FY 2005 programs. If a joint participant has been a lead grantee in a CDBG grant, that community must meet the timely expenditure threshold in order to be included in a joint application. In order to apply for CDBG funding, a community must demonstrate, using the last quarterly report due prior to the application date, or the most recent SCA/GMS monthly financial status report, that as of the application due date it has no more than \$600,000 in unexpended CDBG<sup>1</sup> funds for all active grants awarded **prior to July 31, 2003**.

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<sup>1</sup> CDBG includes CDF I and II, Mini-Entitlement, HDSP, Ready Resource, and Reserves, but for the purposes of this calculation excludes grants from Massachusetts Community Capital Fund, Section 108, and Bridge Financing Program. Planning-only grants of \$50,000 or less are also excluded from this calculation.

*Active grants* include those for which project activities have yet to be completed and payments are outstanding. All lead applicants and participating applicants must meet this standard. An applicant must meet this threshold requirement at the time of application for all Mass CDBG components. Communities that do not meet this threshold will be eliminated from further Mass CDBG funding consideration. No waivers will be granted for the timely expenditure threshold. *Unexpended CDBG funds* are defined as funds awarded for eligible Massachusetts CDBG program costs but not expended. Funds returned to DHCD during the six (6) months prior to the FY05 application due date are not considered expended funds. Neither the return of Mass CDBG funds nor a reduction in a grant award, during that six-month period, will reduce the amount of unexpended funds a grantee is determined to have.

4. **Displacement of Non-CDBG Funds** - Applicants shall certify in the application that CDBG funds will not be used to displace non-CDBG funds already appropriated by or to the community for a specific project. DHCD will reduce an award, deny a grant, or impose special conditions in a grant contract with that community to assure compliance with this requirement.
5. **Sustainable Development** – In order to receive funding a project or activity must be consistent with one of the following Sustainable Development principles: expand housing opportunities, increase job opportunities, restore and enhance the environment, and must also be consistent with one of the following three principles: provide transportation choice, redevelop first, or concentrate development. **This threshold does not apply to Public Social Service activities.**

In addition, housing rehabilitation programs and public facilities projects are required to use Energy Star building performance standards. Those standards are found at [www.energystar.gov](http://www.energystar.gov). Streetlights installed as part of a road or streetscape improvement project must be “full cut-off” or “semi cut-off” fixtures. Additional guidance will be provided in the FY2005 CDBG Application.

6. **Community-Based Planning Requirement** - The Department supports municipal efforts to engage in community-based planning, conduct needs assessments, and identify strategies for addressing those needs. DHCD seeks to fund projects identified through meaningful, public community-based planning and priority setting processes. Therefore projects should be consistent with community efforts to identify needs and engage in strategic planning for addressing those needs. *This helps to ensure that local needs have been identified and priorities determined in a comprehensive manner, and public resources are directed toward projects that address needs the community has identified as high priority.* All applicants and participants<sup>2</sup> must have engaged in a community-based planning process and be able to demonstrate project consistency with a Community Development Strategy (not to exceed five [5] pages), that must be included in the application.

The Strategy serves to summarize various planning documents used by a community, and to outline a plan of action intended to accomplish specific community development goals that will have an impact on the community. Therefore, each Strategy can reference various planning documents approved by a locally elected or appointed body, or by Town Meeting, but *it is important that the Strategy reflect a comprehensive, integrated approach to the municipality’s community development priorities.* The Strategy must also discuss how the community will plan for and implement projects that are consistent with the Commonwealth’s Sustainable Development Principles by promoting compact development; expanding housing opportunities; reutilizing brownfields and abandoned buildings; implementing existing Master Plans, E.O. 418 Community Development Plans, or approved Open-Space Plans; protecting open space; advancing sound water policies; and preserving working natural landscapes.

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<sup>2</sup>This includes regional or joint applicants.

Each activity included in an FY 2005 application must relate to and be reflected in the Strategy. The Strategy must explain how the community expects to address the priorities with CDBG and non-CDBG funds over a 3-5 year period.

The Community Development Strategy may reference or incorporate findings of relevant plans and analyses that have been completed and used for decision-making purposes by municipal boards, agencies and departments. Such plans may include but are not limited to EO 418 Community Development Plans, EO 418 housing strategies, Capital Improvement Plans, Master Plans, Downtown Plans, Open Space and Recreation Plans, Area Revitalization Strategies, Urban Renewal Plans, the regional Comprehensive Economic Development Strategy, and a Community Action Statement (CAS). The strategy must be discussed in a public forum, such as the public hearing required prior to submitting a Mass CDBG application.

Additional threshold criteria #7 through #11 apply to specific program applications or types of projects.

7. **EO 418 Certification** - Executive Order 418, *Addressing the Affordable Housing Shortage*, was signed by Governor Paul Cellucci in January 2000; the Executive Order provides that communities taking steps to encourage/develop affordable housing receive preferential consideration for certain grant programs administered by DHCD, the Executive Office of Environmental Affairs, the Department of Economic Development, and the Executive Office of Transportation and Construction. DHCD has adopted the following policies regarding adherence to EO 418 and the Massachusetts CDBG Program:
  - (a) Applicants to the Economic Development Fund and Reserves must be Executive Order 418 housing certified as a threshold prior to review of applications for those programs. A community may submit a request for housing certification prior to, or with its program application. Certification is available on a fiscal year basis; i.e., it expires on June 30 of any year. *All municipalities participating in a joint or regional application must be certified.*
  - (b) Applicants to CDF I, CDF II, and the Housing Development Support Program (HDSP) receive bonus points equal to 10% of the total available points for each respective program if EO 418 housing certified. A community seeking certification to receive bonus points must request housing certification prior to the application deadline or submit its certification request with its program application. *All municipalities participating in a joint or regional application must be certified for the application to receive 10% bonus points.*
  - (c) Mini-Entitlement communities must be EO 418 housing certified before being allowed to draw down funds.
8. **Public Benefit Standards** - Economic development projects that are eligible under Title I of the Housing and Community Development Act of 1974, Sections (14), (15) and (17) must meet CDBG standards of underwriting and public benefit. Eligible projects under 105(a)(2) may also be required to meet public benefit standards when undertaken for Economic Development purposes.
9. **Senior Center Projects** - Applicants for Senior Center projects must meet the following threshold requirements to have their applications reviewed and scored:
  - (i) provide evidence of site control<sup>3</sup> by the municipality, as attested to by the Mayor or Board of Selectmen,

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<sup>3</sup> Evidence of site control may include but is not limited to a deed, long-term lease agreement, purchase and sale agreement, or other contract or legal document.

- (ii) provide documentation of the availability and commitment of any other funds necessary to complete the project, and
- (iii) provide one copy of the bid-ready plans and specifications,<sup>4</sup> prepared by a licensed architect or engineer (modular construction may require a lesser standard – see Project Threshold Criteria #11).

CDBG-assisted senior center projects funded in FY 2003 or later may not receive subsequent CDBG assistance for additional construction or reconstruction until five (5) years have passed since the grant closeout date. Communities seeking CDBG funds for senior center projects must request elderly low- and moderate-income household data from DHCD prior to submitting an application.

10. **Architectural Barrier Removal** - A municipality applying for assistance with an architectural barrier removal project must submit a copy of its locally approved Americans with Disabilities Act (ADA) Self Evaluation Survey and Transition Plan. The ADA was enacted in 1990 and requires local governments to evaluate for accessibility all of its programs and services that had not previously been reviewed under Section 504 of the Rehabilitation Act of 1973. The Act also required preparation of a Transition Plan for removal of programmatic and structural barriers to its programs and services, and set forth a process for involving the community in the development of the Self Evaluation Survey and Transition Plan. Programmatic removal of barriers must be fully explored before considering CDBG funding for structural barrier removal. Completion of the Transition Plan is a required threshold for Architectural Barrier Removal applications.

It is the responsibility of each community to ensure that its Transition Plan is consistent with federal regulations. A community's request for Mass CDBG funding must be consistent with the priorities set forth in these locally developed documents. Communities may wish to contact the Massachusetts Office on Disability or the U.S. Department of Justice for specific questions regarding the ADA and the Rehabilitation Act of 1973.

**Applications for Architectural Barrier Removal projects of \$25,000 or more require bid-ready plans and specifications in each copy of the application.**

**Finally, CDBG funds may be used only for the minimum amount of work needed to remove an existing barrier.**

11. **Bid-ready Plans and Specifications** - Bid-ready plans and specifications are required for all public facilities and architectural barrier removal projects of \$25,000 or more (see definition in footnote #4). However, if the project involves exclusively the rehabilitation of an existing facility and does not involve structural changes requiring an architect or engineer, and the total project cost does not exceed \$75,000, a community may submit a written request to the CDF Manager at DHCD for approval to submit bid-ready specifications only.

*In addition, DHCD recognizes that this requirement may be problematic for communities considering modular construction projects. To satisfy these concerns, in order to apply for assistance to undertake modular construction a community may instead provide DHCD with a reasonable cost estimate for the project. Detailed backup for the total costs for modular construction projects must include the cost of site preparation, off-site construction of the modular*

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<sup>4</sup> Bid-ready plans and specifications are those construction documents that constitute a presentation of the complete concept of the work including all major elements of the building and site design. The bid documents shall set forth in detail and prescribe the work to be done by the construction specifications; the materials, workmanship, finishes and equipment required for the architectural, structural, mechanical, electrical and site work; and the necessary solicitation information. Drawings shall include the following: a) Site plan showing the location and type of building; b) Scale plans of the building; c) Wall sections, details, and elevations in sufficient detail to serve as a basis for a construction estimate; d) All other required architectural, civil, structural, mechanical and electrical documents necessary to complete the project.

*unit, and the cost of delivering and assembling the modular unit including all work necessary - including but not limited to all utility work and sub-trades - to result in the issuance of an occupancy permit. To accomplish this, the community must provide the following: the program for the building; plans, specs, and prices of comparable unit(s) from the manufacturer; evidence of the manufacturer's ability to deliver the unit during the timeframe for construction identified in the grant application; and a site plan that has received formal site plan review by the municipality including the Conservation Commission, if applicable.*

<b>E. ALLOCATION OF CDBG FUNDS TO THE COMMONWEALTH</b>
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The federal Fiscal Year 2005 HUD allocation to the Commonwealth of Massachusetts is expected to be approximately \$40,900,000. DHCD's funds are subject to availability from the federal government, which is contingent on the federal budget and appropriations process and the HUD allocation process. In addition to the HUD allocation DHCD expects to receive approximately \$500,000 in program income, for a total of \$41,400,000 available for FY 2005. These funds will be distributed during the program year to eligible cities and towns in accordance with the allocation among program components outlined below. If changes to this distribution become necessary, procedures outlined below explain how such changes will be made.

<b>PROGRAM COMPONENT</b>	<b>Mass CDBG ALLOCATION (ESTIMATE)</b>
<b>Community Development Fund I</b>	\$17,210,000
<b>Community Development Fund II</b>	\$ 5,000,000
<b>Mini-Entitlement Program</b>	\$ 9,000,000
<b>Housing Development Support Program</b>	\$ 5,000,000
<b>Economic Development Fund</b>	\$ 2,400,000
<b>-Bridge Financing Program*</b>	\$6,000,000*
<b>-Section 108 Loan Guarantee Program*</b>	\$20,000,000*
<b>Reserves</b>	\$ 600,000
<b>Section 108 Loan Repayments**</b>	\$ 370,000
<b>Administration and Technical Assistance</b>	\$ 1,320,000
<b>TOTAL AVAILABLE FOR FY 2005</b> (includes \$500,000 in program income)	\$41,400,000
*Bridge Financing and Section 108 Loan Program allocations do not impact the FY 2005 Allocation **Section 108 Loan Repayments are budgeted but not necessarily required. This is an "up to" amount.	

Reallocation of funds among program components: During the year, DHCD may have cause to recapture earlier program year funds from non-performing grantees; or there may be small amounts of program funds from prior years that have yet to be used; or there may be opportunities to recapture program income generated by communities from earlier projects; or there may be extreme demand for one program component; or there may be minimal demand for one component. Funds will be reallocated depending on the timing of other components and the apparent demand for funds or to address emergency situations during the program year. When awarding those funds DHCD will use current program guidelines as established in the most recent One Year Plan. DHCD reserves the right to increase or decrease the allocation of a program component. When these cumulative changes meet the threshold criteria of an amendment, DHCD will follow the process in accordance with the State's Consolidated Plan and regulations at 24 CFR 91.505. DHCD may also have cause to fund from any allocation or resources to respond to corrective actions after program closeouts or as a result of other administrative errors.

## ***F. AVAILABILITY OF CDBG PROGRAM FUNDS***

All CDBG program funds will be available to eligible grant recipients based on applications for Massachusetts Community Development Block Grant funds and/or Notices of Funding Availability that will be distributed on a regular basis. These documents will make communities aware of the requirements of each particular component and will be available to allow communities adequate time to prepare grant applications for each program.

A single community may receive no more than \$1 million from any combination of federal FY 2005 Community Development Fund I or II, or Mini-Entitlement grant funds. Awards not subject to the \$1 million cap per community include the Housing Development Support Program and the Economic Development Fund.

Listed below are application distribution dates for each program and the corresponding due dates. A Notice of Availability of Funds will be issued, as appropriate, prior to release of each Application subject to the availability of federal funds.

<b>Program Components<sup>5</sup></b>	<b>Application Issued</b>	<b>Notices of Intent Due</b>	<b>FY 2005 Applications Due</b>
Community Development Funds I and II	October 2004	Thursday, January 13, 2005	Thursday, January 27, 2005
Mini Entitlement Program	October 2004	Thursday, January 13, 2005	Thursday January 27, 2005
Housing Development Support Program	October 2004	October 28, 2004, and March 24, 2005	December 16, 2004 and May 12, 2005
Economic Development Fund	October 2004		Continuous

## ***G. EVALUATION CRITERIA APPLICABLE TO ALL CDBG PROGRAMS***

DHCD reserves the right to incorporate any or all of the following Evaluation, Regulatory and Performance criteria in its award decisions:

### **Evaluation:**

- solicit and verify information from any state and federal agencies and other entities, and based on that information, reduce, increase or deny an award to a community.
- conduct site visits for any proposed CDBG project, prior to grant award, and if necessary, condition, reduce, increase or deny an award to a community.
- reduce or increase an award to a community to assure that a grant budget is reasonable.
- fund, fully or partially, a project from other state resources.
- reduce or deny a grant, or place special conditions on a grant, based on the management capacity of the of the municipality or the current or proposed administering agency.
- resolve tie scores in a competitive fund by applying the criteria below in the following order:
  1. Applications for projects that increase the community's supply of housing;

<sup>5</sup> The FY 2005 applications will be operative upon their release. Actual release of funds is contingent on HUD approval of the state's One Year plan, and will be dictated by the date the state receives HUD approval on its Plan.

2. Applications for housing and/or economic development projects that are consistent with the goals of the Administration;
3. An application from the community with the higher Community-Wide Needs score will be funded;
4. Regional applications; and
5. If scores remain tied after the application of steps #1 through 4, DHCD will conduct a lottery at which a representative from HUD will be present.

**Regulatory:**

- ensure that at least 70 percent of CDBG assistance, as per federal statute, is used to support projects that directly benefit low- and moderate-income persons of the Commonwealth.
- ensure that no more than 15 percent of the FY 2005 Massachusetts CDBG allocation is for public social service activities as per federal regulation.
- deny a grant, or a portion thereof, to ensure that no more than 20 percent of the FY 2005 Massachusetts CDBG allocation is for planning and administration as per federal regulation.
- not review an application unless signed by the municipality's Chief Elected Official.

**Performance:**

- reduce an award to a community with an uncommitted program income balance of \$100,000 or more.
- reduce an award, deny a grant, or impose special conditions on a community with prior year grants with a low rate of committed or expended dollars. This includes dollar-for-dollar reductions in awards for projects funded in previous rounds for which unexpended funds remain.
- reduce an award, deny a grant, or impose special conditions on a community with outstanding, major findings that are unresolved at the time application decisions are being made; or which have otherwise had a history of significant, repeat findings. These findings could have resulted from any grant program offered by DHCD.

*Major findings* means non-compliance with a statutory requirement which, if not satisfactorily resolved by the community, would require that the federal funds be repaid by the municipality, or result in other serious sanctions.

*History of significant, repeat findings* means non-compliance with statutory or regulatory requirements in more than one grant cycle, where the community may have resolved those findings but with an unacceptably slow response.

- consider the past performance in the management of state grants, including but not limited to CDBG, by the applicant community and its administering agency or project sponsor, including continuing prior performance issues.

**EO 418 Bonus Points** - In addition, applicants to all competitive programs that meet eligibility threshold and scoring criteria will receive an additional ten percent (10%) of the total available points if they have received certification of compliance with Executive Order 418.

**Awarding of Grants**

Based on the scores produced through the review process, grant award recommendations are made to the Director of DHCD, whose decision is final. In the competitive programs, grants are awarded for projects to municipalities that received the highest application scores and which meet applicable thresholds until all available funds are distributed. In the programs with rolling applications, grants are awarded for projects to municipalities with application scores that meet a minimum scoring threshold, or that meet other program criteria, or both. DHCD reserves the right to award a grant in whole or in part, or to reject any and all proposals received.

## **Grievance Procedure**

Within forty-five (45) days of the date of the Director's written notice of grant determinations to applicant cities and towns, any municipality aggrieved by DHCD's decision may challenge the denial of its grant by submitting a letter of appeal from the Chief Elected Official of the municipality to the Director, who shall respond no later than forty-five (45) days from the date of receipt of the municipality's appeal.

## ***H. PROGRAM SANCTIONS***

DHCD reserves the right to suspend or terminate grant awards made to eligible communities should there be instances of fraud, abuse, poor performance, misrepresentation, or extreme mismanagement, or in the event a grantee is unable to carry out a project as approved in an application. The community staff and Chief Elected Officials will have the opportunity to discuss possible sanctions prior to any formal action. If formal sanctions are recommended, grantees will be provided a full opportunity to appeal such decisions to the Director of DHCD before any final action is taken.

All program funds recaptured through the sanctions process will be re-programmed consistent with the procedures in (E) *Allocation of CDBG Funds* and (J) *CDBG Program Components*. Based on the significance of the issues involved in any such determination, DHCD may suspend, for a period of up to three (3) years or until final resolution is achieved, a community's eligibility to participate in any Massachusetts CDBG component. Such action will only be taken in extreme circumstances and only after all alternatives have been exhausted.

## ***I. CITIZEN PARTICIPATION REQUIREMENTS FOR APPLICANTS AND GRANTEES***

All applicants for funding under the FY 2005 Massachusetts CDBG Program must comply with the citizen participation requirements contained in Section 508 of the Housing and Community Development Act of 1987. DHCD expects citizen involvement in the identification of community development needs, the development of applications, program assessment and evaluation. Communities must include in their Massachusetts CDBG application a local citizen participation plan detailing how the community will provide:

1. citizen participation, with particular emphasis on participation by persons of low- and moderate-income, residents of slums and blighted areas and of areas in the state where CDBG funds are proposed to be used, particularly residents of a proposed target area;
2. reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, and relating to the actual use of funds;
3. information on the amount of state CDBG funds available during the year; the range of eligible CDBG activities; and how activities will benefit low- and moderate-income persons;
4. technical assistance to groups representative of persons of low- and moderate-income that request such assistance in developing proposals;



5. **a minimum of 2 public hearings**, each at a different stage of the program (development and implementation), to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at *a minimum* (a) the development of needs, (b) the review of proposed activities, and (c) review of program performance. These hearings shall be held after adequate notice, at times and accessible locations convenient to potential or actual beneficiaries, and with accommodations for persons with disabilities. In cases of joint applications, all applicant communities must be included in and participate in the public hearing. At least one public hearing must be held prior to submittal of an application; a second must be held during the course of the grant year;
6. a timely written answer to written complaints and grievances, within 15 working days of receipt where practical; and
7. the plan must also identify how all residents and beneficiaries, including minorities and non-English speaking persons, as well as persons with disabilities can be reasonably expected to participate in the program in general, and at public hearings in particular.

<b>J. CDBG PROGRAM COMPONENTS</b>
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This section briefly describes the components of the Massachusetts CDBG Program. Each program component description includes eligible uses, grant award amounts, and evaluation and award criteria. In the event of conflicting language, this One Year Action Plan takes precedence over language in all program component applications. The program components are:

1. Community Development Fund I (CDF I)
2. Community Development Fund II (CDF II)
3. Mini-Entitlement Program
4. Housing Development Support Program (HDSP)
5. Economic Development Fund
6. Reserves
7. Administration and Technical Assistance by DHCD

## **1. COMMUNITY DEVELOPMENT FUND I (CDF I)**

### **Program Description**

The Community Development Fund I (CDF I) annually awards grants to communities throughout the Commonwealth. This program helps eligible cities and towns to meet a broad range of community development needs in housing, business development, physical development, downtown revitalization, and public social services. It supports CDBG-eligible activities and encourages applicants to develop comprehensive, creative solutions to local problems. CDF I is targeted to communities with high Community-Wide Needs scores (ranging from 18 to 25) and very limited financial ability to address those needs with local funds. See Exhibit 3 for Community-Wide Needs Scores and Exhibit 4 for the indicators and formula used to derive the scores.

In federal FY 2005 DHCD expects to award approximately \$17,210,000 in CDF I grant funds, depending upon Massachusetts' federal allocation.

### **Grant Award Amounts**

Applicants for a CDF I grant will be eligible to receive up to the following amounts based on the type of application submitted:

Category	Minimum Grant from Competitive Round:	Maximum Grant from Competitive Round:
Single Community	\$ 100,000	\$ 800,000
Two or more Communities	\$ 100,000	\$ 1,000,000
Joint/regional housing activities	\$ 100,000 per community	\$ 1,200,000
Planning-only grants	\$ 20,000	-----

The maximum CDF I grant award is \$800,000. The maximum award for joint/regional applications is \$1,000,000 for two or more communities. Applications that include joint/regional housing activities in each community may receive up to a total of \$1,200,000, provided that the entire increment above the \$1,000,000 cap is allocated toward housing-related activities. No single CDF I community in a joint/regional application may receive more than \$800,000. Finally, applications with joint/regional housing activities must allocate a minimum of \$100,000 to each community for those housing-related activities. There is a minimum grant amount of \$20,000 for planning-only grants.

#### Requirements:

1. CDF grants are **Single Year Grants** based on an 18-month implementation period. Communities should not apply for funds if the proposed project is not ready to proceed.
2. Two or more communities may apply **jointly or regionally**. *"Regional" is not limited to geographically contiguous cities and towns.* In order to comply with federal requirements governing such applications, each participating community would:
  - enter into an inter-local agreement that will allow a lead community to conduct grant activities within other communities;
  - sign the application certifications stating compliance with program regulations; and
  - demonstrate in the application how the requested funds will be allocated among all participants.

Each participating community in a joint or regional application must have a locally approved Community Development Strategy, and all projects in the application must be consistent with those documents.

CDF I communities may also join with CDF II or Mini-Entitlement communities as joint applicants for housing activities only, with limitations as described above, and below in Section J. 2 – Community Development Fund II. Please note that the maximum allocation per CDF I community within a joint application of \$800,000 also applies to housing activities.

**PLEASE NOTE: An application will not be considered a joint application if the only activity taking place in more than one of the communities is public social services.**

3. An applicant is eligible to apply to Community Development Fund I if its FY 2005 Community-Wide Needs Score, rounded to the nearest integer, is 18 or greater on a scale of 25. Community Wide Needs Scores are available in Exhibit 3.
4. A community may apply in either one individual CDF application or in one joint application (including as a lead applicant), or in one of each. However, if a community applies to CDF in both an individual and in a joint application, the community may not undertake individual activities in the joint application. In addition, a municipality may not receive funds for the same activity under more than one CDF application during any one Mass CDBG federal fiscal year.

5. All CDF I applications must be received by DHCD by **Thursday, January 27, 2005**, at 5:00 PM or at the end of business, whichever is later.
6. **Notice of intent to apply to CDF I, CDF II and Mini-Entitlement components will be required, due on Thursday, January 13, 2005. Information included in the notice can be amended up to the application deadline. The notice will be used by DHCD for informational and planning purposes only, and should include the information contained in the application coversheet (unsigned), including participating communities, project packet cover sheets, project types and number of packets (of each project type), as well as rough budget information.**

## Evaluation and Award Criteria

Application review and awards will be governed by the criteria and procedures as described above (Sections A through I), and the following criteria, process rules and special requirements. Additional detail on evaluation criteria and the review process will be in the FY 2005 Community Development Fund I Application Package.

1. Applications will be scored on a 100-point system as follows

CRITERION	POINTS
Community Wide Needs	25
Community Needs	10
Community Impact	10
Project Packets	55
<b>Total</b>	<b>100</b>

Each criterion is described below. Please be advised that applicants must meet a minimum threshold for **Project Feasibility -- i.e., each project must appear to be feasible to undertake and complete in the 18-month grant period, or the other criteria will not be scored.** Projects must demonstrate financial feasibility, including adequate sources available for all costs based on reasonable cost estimates and financial need. Sources and uses of funds are limited to actual documented cash/expenditures specific to the proposed project. Proposals must also demonstrate site control, major permit approval, and other information that demonstrates the project is feasible and ready to go forward upon grant award. All projects must also meet threshold consistency with the Sustainable Development Principles.

**Community-Wide Needs** - are scored by DHCD, based on a set of criteria including population demographics, economic conditions, the community's fiscal condition, and assorted community development need indicators. A complete list of indicators is described in Exhibit 4. Communities are encouraged to submit a written request for their need scores. A community or its designee may make the request. DHCD will notify the community's Chief Elected Official of when and to whom the score is mailed. Only the lead community of a joint or regional application needs to submit a request for the community-wide needs score. Regional and joint applications will receive needs scores based on an aggregation of data for the participating communities. (25 points)

**Community Need** - is a narrative in which applicants describe local or regional conditions and needs such as demographics, municipal management capacity, municipal finance, education, housing, capital and infrastructure needs, and socio-economic factors. This section will be scored based on the comprehensiveness of factors discussed, the severity of needs described and the degree to which the needs are confirmed by verifiable information contained in the narrative. Regional and joint applications will be scored based on a narrative addressing needs of all participants. (10 points)

**Community Impact** - Successful applicants will demonstrate that the proposed project(s) will: address significant community need; benefit a substantial number of low to-moderate persons; and be integrated with local/regional plans and/or state initiatives and with one another, resulting in a comprehensive approach to revitalization of the community(ies)/region; (10 points)

**Project Need** - requires applicants to document and describe the particular needs that will be addressed by each proposed project and the severity of those needs. This section will be evaluated on the severity of need, the need for CDBG funds to undertake the project, the reasons local resources are not available, efforts to secure other funds to address the need, the demand for the proposed project, and involvement by the community and target population in the development of the project or program.

**Project Feasibility** - requires applicants to document and describe elements that demonstrate the feasibility of the project and the ability of the applicant to complete the project within the 18-month grant implementation period. Project Feasibility will be evaluated on the following factors: readiness of the project to proceed; reasonableness of project funding when compared to similar projects; the reasons why the proposed project is best able to meet the identified needs as compared to alternative approaches; and completeness and reasonableness of timeline.

**Project Impact** – requires applicants to document resources leveraged, and describe the impact of the proposed project on the target population or target area including physical and visual impacts, if applicable. It will be scored on the extent to which other resources are leveraged, cost effectiveness, the impact upon the target area or target population, the number of persons to benefit from the proposed project, quantitative and qualitative assessment measures, an assessment of the impact of previously funded activities, and the degree to which the project substantially addresses the sustainable development principles found in Exhibit 5.

2. To be determined fundable, a project packet must earn a score of at least 33 points out of the 55 possible for a project packet.
3. Applications with more than one project packet (component) to be considered for funding will receive a single Project Score that is based on the average score for each project that meets the thresholds enumerated above then rounded to the nearest whole number.
4. When all applications have been reviewed, each packet score will be rounded to the nearest whole number. DHCD will fund proposals by ranking the scores from highest to lowest, applying the Evaluation Criteria in G (page 9) in the event of tie scores.

## **2. COMMUNITY DEVELOPMENT FUND II (CDF II)**

### **Program Description**

This program helps the state's non-entitlement cities and towns meet a broad range of community development needs in housing, business development, physical development, downtown revitalization and public social services. In federal FY 2005, DHCD expects to award \$5,000,000 under the Community Development Fund II (CDF II) to eligible applicants, depending upon the allocation of federal funds from HUD.

### **Grant Award Amounts and Requirements**

Applicants for a CDF II grant will be eligible to receive up to the following amounts based on the type of application submitted:

Category	Minimum Grant from Competitive Round:	Maximum Grant from Competitive Round:
Single Community	\$ 100,000	\$ 800,000
Joint/regional housing activities	\$ 100,000 per community	\$ 1,200,000
Planning-only grants	\$ 20,000	-----

The maximum CDF II grant award is \$800,000. No one single CDF II community in a joint/regional application may receive more than \$800,000 in FY 2005 funds. Applications with joint/regional housing activities must allocate a minimum of \$100,000 to each community for those housing-related activities. There is a minimum grant amount of \$20,000 for planning-only grants.

This program is available to communities with a Community-Wide Needs Score equal to or less than 17 out of 25 points for federal Fiscal Year 2005. Community Wide Needs Scores are available in Exhibit 3. All requirements of the CDF I apply to the CDF II except as follows:

- communities cannot apply to both CDF I and CDF II (except as participants in regional housing activities).
- only single municipalities may apply to CDF II (except as participants in regional housing activities).
- the maximum grant award is \$800,000; the maximum joint / regional housing grant is \$1,200,000.

CDF II communities may join with a CDF I and/or a Mini-Entitlement lead applicant or with another CDF II for housing activities only. Participation by CDF II communities in joint applications is limited to housing activities. Joint/regional applicants are not limited to geographically contiguous cities and towns. The Community Wide Needs Score of CDF II applicants will not be considered in the composite regional Community Wide Needs Score. Participation in a regional application will not prohibit an eligible CDF II applicant from applying individually to the CDF II, within the stated restrictions.

The following conditions apply to joint/regional housing applications:

- The maximum grant awards for applications with joint/regional housing activities will be capped at \$1,200,000, in accordance with the Maximum Grant Amounts appearing in the chart above. The maximum allocation per community within a joint application will be capped at \$800,000.
- Lead communities may use these additional funds only for the cost of the additional housing activities outside the lead community and for related project administration.
- Funds allocated to the CDF II communities for joint housing activities will not be included when calculating the \$1 million cap in Mass CDBG funds that the lead CDF I or Mini-Entitlement communities may receive in a fiscal year.
- Funds allocated to the CDF II communities for joint housing activities will be included when calculating the \$1 million cap in Mass CDBG funds that participating CDF II communities may receive in a fiscal year.

All CDF II applications must be received by DHCD by **Thursday, January 27, 2005, at 5:00 PM** or at the end of business, whichever is later.

**Notice of intent to apply to CDF I, CDF II and Mini-Entitlement components will be required, due on Thursday, January 13, 2005. Information included in the notice can be amended up until the application deadline. The notice will be used by DHCD for informational and planning purposes only, and should include the information contained in the application coversheet (unsigned), including participating**

**communities, project packet cover sheets, project types and number of packets (of each project type), as well as rough budget information.**

## **LIMITATIONS/CONDITIONS ON SUBSEQUENT CDF II APPLICATIONS**

Receiving an award from the Community Development Fund II precludes a community from applying to a Community Development Fund program the following **two** federal fiscal years, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** may apply to the Community Development Fund.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2003 or FY 2004 on its own may be a participant with a CDF I, CDF II or a Mini-Entitlement community, for **housing activities only**.
- A CDF II eligible community that has successfully administered an FY 2003 or FY 2004 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.
- A community with an FY 2005 Community Wide Needs (CWN) score of 18 or above is a CDF I community and may apply for a CDF I grant regardless of CWN score in prior years.
- A community awarded FY 2003 or 2004 funds for an architectural/engineering planning-only project may apply for FY 2005 funding to implement the planned project. However, the maximum allowable FY 2005 grant award (see chart on previous page) will be reduced by the amount of the FY 2003 or 2004 planning grant.

Exhibit 2 lists communities that may not apply for CDF funds in FY 2005.

## **Evaluation and Award Criteria**

Applications will be reviewed according to the same criteria and process for activities as detailed in the discussion above describing criteria for CDF I. However, the Community-Wide Needs Score will not be factored into the evaluation. The application will be scored on a 75-point scale.

## **3. MINI-ENTITLEMENT PROGRAM**

DHCD has evaluated the Mini-Entitlement Program, determined that the rationale for the program still exists, and will continue to fund certain communities on an annual basis through this set-aside. DHCD applied the new 2000 Census data to the Mini-Entitlement formula, and changes in demographics have resulted in a new list of eligible Mini-Entitlement communities. All FY 2004 Mini-Entitlements no longer so designated will eligible for up to \$200,000 in FY 2005 in transitional assistance and will be able to attempt to supplement those funds through the competitive CDF process for a maximum grant of up \$800,000. New Mini-Entitlement communities with minimal recent experience with CDBG will be transitioned into the program with \$100,000 in planning funds. A budget of \$9,000,000 has been established for the FY 2005 Mini-Entitlement set-aside.

### **Program Description**

Municipalities were selected to be Mini-Entitlement communities if they met **five of the six** following criteria: (1) Community Wide Needs Score of 19 or higher; rank within the top 30% in the state in: (2) population, (3) percentage of low- and moderate-income persons, (4) the number of pre-1939 housing stock, (5) population density; and (6) have a population that is equal to or greater than 51% low- and moderate-income persons. This

program helps larger non-entitlement urban communities with the highest needs improve conditions for their low- and moderate-income residents through comprehensive planning and predictable funding. Through this program, identified cities and towns can meet a broad range of community development needs in housing, business development, physical development, downtown revitalization, and public social services. It supports all CDBG-eligible activities and encourages applicants to develop comprehensive, creative solutions to local problems.

In Federal FY 2005, DHCD expects to award up to \$8,400,000 from the Mini-Entitlement Program allocation to 14 designated Mini-Entitlement municipalities, listed below:

Amesbury	Milford
Amherst	North Adams
Chelsea	Revere
Everett	Southbridge
Gardner	Wareham
Greenfield	Webster
Methuen	West Springfield

The following towns will be considered “provisional” Mini-Entitlement communities and will be awarded up to \$100,000 each for planning activities for future CDBG-eligible activities. If these towns successfully implement and complete these planning activities, they will be Mini-Entitlements in FY06. If these towns are not named Mini-Entitlements in FY06, they will be eligible to compete in CDF.

Fairhaven  
Rockland

In addition, DHCD expects to award up to \$200,000 each to Marlborough and Northbridge, for a total of \$400,000, to assist them as they transition from Mini-Entitlement status to CDF.

Mini-Entitlements will be eligible for up to \$600,000. In addition to meeting threshold requirements (including threshold consistency with the Sustainable Development Principles), projects in a Mini-Entitlement application must receive 27 points in a scored application packet in order to be funded. Projects that do not meet all thresholds and do not receive 27 points when scored will not be funded and the community’s Mini-Entitlement award will be reduced accordingly. All Mini-Entitlements will receive, at a minimum, \$200,000.

DHCD will offer enhanced technical assistance to Mini-Entitlement communities, including comprehensive planning, revitalization planning, priority setting, and project planning and development.

### **Grant Award Amounts and Requirements**

The maximum grant award is \$600,000. Mini-Entitlement applications will contain an 18-month implementation and cash flow plan. Release of the FY 2005 allocation, however, is contingent on 1) the community’s adherence to the timely expenditure threshold (see Applicant/Project Thresholds above), 2) Executive Order 418 certification, and 3) continued availability of federal funding.

### **Evaluation and Award Criteria**

The following requirements apply to the Mini-Entitlement Program:

1. In accordance with the Massachusetts CDBG Priorities listed in Section A, DHCD seeks to fund projects identified through meaningful community-based planning and priority setting processes as described in SECTION D. 7.
2. Each Mini-Entitlement grantee must submit an updated community development strategy as detailed above in SECTION D. 7. Community Development Strategies must also include how the community will plan for and implement projects that are consistent with the Commonwealth's Sustainable Development Principles by promoting compact development; expanding housing opportunities; reutilizing brownfields and abandoned buildings; implementing existing Master Plans, E.O. 418 Community Development Plans, or approved Open-Space Plans; protecting open space; advancing sound water policies; and preserving working natural landscapes.
3. DHCD is encouraging communities to approach CDBG projects in a coordinated and integrated manner and encouraging communities to target their CDBG funds to particular geographic areas in order to impact and effect change within neighborhoods.
4. All FY 2005 Mini-Entitlement applications must be received no later than **Thursday, January 27, 2005**. The Application must describe how CDBG funds will be allocated; include goals and performance measures for each activity; demonstrate compliance with a federal national objective and all federal/state requirements; and provide a management plan. The project packets will be reviewed for compliance with all evaluation criteria. Project packets will be scored in accordance with the same criteria and process for activities as detailed in the discussion above describing criteria for CDF I, with the exception that packets in a Mini-Entitlement application must receive a minimum of 27 points.
4. All activities that are eligible under Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, will be considered for funding with the exception of organizational activities of downtown partnerships.
5. Mini-Entitlement communities may join with CDF I or CDF II communities as joint applicants for housing activities only, with limitations as described above in Section J. 2.
6. **Notice of intent to apply to CDF I, CDF II and Mini-Entitlement components will be required, due on Thursday, January 13, 2005. Information included in the notice can be amended up until to the application deadline. The notice will be used by DHCD for informational and planning purposes only, and should include the information contained in the application coversheet (unsigned), including participating communities, project packet cover sheets, project types and number of packets (of each project type), as well as rough budget information.**

#### **4. HOUSING DEVELOPMENT SUPPORT PROGRAM**

##### **Program Description**

The Housing Development Support Program (HDSP) is designed to facilitate small project-specific affordable housing initiatives with emphasis on creation, preservation or improvement of housing units, which may not be cost-effective under alternative development assistance programs or with conventional financing.

##### **Grant Award Amounts and Requirements**

##### Notice of Intent Process



Communities must submit a Notice of Intent (NOI) in order to apply for HDSP funds. A NOI may be obtained by contacting HDSP staff, and must be submitted under signature of the community's Chief Elected Official.

The NOI must be received by DHCD at least seven (7) weeks prior to the application due dates. For FY 2005 HDSP applications, a NOI must be received by DHCD no later than **Thursday, October 28, 2004** for the first round of FY 2005 funds, and **Thursday, March 24, 2005** for the second round.

Applicants are encouraged to submit the NOI at any time in advance of the NOI deadlines. The flexible NOI process is intended to accommodate scheduling and to provide additional time for application preparation.

The NOI provides essential information about the project and confirms its consistency with HDSP eligibility requirements. HDSP staff will review NOIs, and an initial informational meeting will be scheduled with the community.

Following the initial meeting, the applicant community will be notified in writing if it will be invited to submit an application and if any additional information is needed. If, on the basis of the initial meeting, the community is not invited to submit an application, such notice will detail the reasons.

#### Other Application Requirements

Applications are due by 5:00 PM or the end of business day on **Thursday, December 16, 2004** for the first round of FY 2005 funds, and **Thursday, May 12, 2005** for the second round.

HDSP funding is generally limited to projects containing fewer than eight units. NOTE: Housing projects serving persons with special needs, and single-room occupancy (SRO) projects may exceed the seven-unit limit. Project grant amounts are limited to a minimum of \$100,000, and a maximum of \$500,000, plus administrative costs.

Projects involving either the rehabilitation of existing housing units in downtown and village center buildings, or the conversion to housing of upper story space in downtown and village center buildings, as well as other adaptive reuse proposals, may consist of up to 10 units. Municipalities may apply for up to \$750,000 plus administrative costs for such projects.

For most projects, all state and federal grants combined for most projects shall not exceed 75 percent of total actual project costs. Please note that projects exclusively benefiting special-needs populations may qualify for up to 100 percent of total actual project costs. The Director of DHCD may waive the 75% criterion if circumstances so warrant. Prior consultation with HDSP staff is required prior to requesting a waiver.

Projects involving new construction shall be limited to infill housing development in downtown or village center locations.

Projects receiving funding from any source administered by DHCD's Division of Housing Development are excluded from applying to HDSP.

Projects other than SROs that include at least one (1) affordable three-bedroom unit, with no other unit smaller than one bedroom, will receive additional scoring consideration.

DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.

#### **Housing Development Support Program (HDSP) Guidelines**

- The HDSP will provide \$5 million in FY 2005, to fund smaller projects in communities that address a variety of activities supporting the development, improvement and retention of public or

private housing affordable to low- and moderate-income persons. Typical project activities include moderate or substantial rehabilitation of residential and mixed-use projects; reclamation of abandoned/foreclosed properties; elderly, transitional and special needs housing; and conversion to housing of obsolete and under-utilized structures such as vacant school and mill buildings. Funds can be used for acquisition, rehabilitation, site work and related infrastructure. Fifty-one percent (51%) of the units must be affordable to and occupied by low- and moderate- income households.

## Evaluation and Award Criteria

All HDSP projects must comply with the low- and moderate-income National Objective. The requirements set forth in Section D: *APPLICANT/PROJECT THRESHOLDS* above will govern application review and awards.

Applications will be scored on a 100-point system as follows:

CRITERION	POINTS
Affordability	20
Readiness to Proceed	30
Development Team Capacity	10
Site and Design	25
Cost Effectiveness	15
<b>Total</b>	<b>100</b>

Applications must receive a minimum of 70 points to be eligible for funding. Criteria are described below.

The review and scoring of HDSP applications will be based on the materials submitted in the application as received on the deadline date, i.e., in an “as submitted” condition. Any information that is not included will be considered to be missing, and the application evaluated accordingly. DHCD reserves the right to adjust award amounts based on this condition.

**Sustainable Development Threshold** - All projects must be consistent with one of the following principles: expand housing opportunities, increase job opportunities, restore and enhance the environment, and must also be consistent with one of the following three principles: provide transportation choice, redevelop first, or concentrate development.

**Feasibility Threshold** - All projects must demonstrate financial feasibility, including adequate sources available for all costs based on reasonable cost estimates and financial need, and sufficient revenues to pay expenses based upon reasonable assumptions. Sources and uses of funds are limited to actual documented cash/expenditures specific to the proposed project. Project rents/sales prices must be within HDSP limits for affordable units and must be affordable to the household sizes that could reasonably be expected to occupy the units based on the number of bedrooms. Proposals must also demonstrate site control, major permit approval, and that a market exists for the type of unit proposed at the rent or sale price projected. Proposals that do not meet this feasibility threshold will not be further evaluated.

**Affordability** - All projects will be evaluated according to the affordability term to be secured by rental/resale restrictions proposed beyond the fifteen-year threshold, and the proposed percentage of affordable units available for low- and moderate-income occupancy. (20 points)

**Readiness To Proceed** - At a minimum, applicants must provide evidence that the project can be implemented and completed within the grant term. Projects will also be evaluated on status of financing

commitments, site control, land use and zoning requirements, other necessary approvals and relevant factors. (30 points)

**Development Team Capacity** - The track record and levels of previous comparable work experience of the project developer, applicant community, development consultant, architect, management agent, and service provider, if applicable, will be reviewed and assessed, including quality of such work and the schedule of its delivery. DHCD may take into consideration an applicant's qualifications, history, experience, and past performance (if any) in housing development with DHCD and other government and quasi-public agencies, as well as the technical assistance and support the community intends to provide to a less-experienced developer. (10 points)

**Site and Design** - The quality of the site will be reviewed based on desirability of location, revitalization potential, community character, convenience, adequacy of utilities and infrastructure, appropriateness of design for the site, and the absence of significant development constraints such as adverse environmental conditions. In addition, proposed projects will be reviewed on the basis of site conditions (e.g., ledge, grade, soil suitability), conservation of natural resources, condition of existing structure (including adaptability to proposed use), and neighborhood characteristics.

The proposed design will be reviewed for visual impact, overall plan layout, site design including provision for affordable three-bedroom units, appropriateness of building design and amenities, including suitability for target population, and adequacy of the proposed scope of work. (25 points)

**Cost Effectiveness** - Each applicant must demonstrate that it is requesting the minimum amount necessary to produce a viable project, taking into account all other potential sources of funding and all opportunities to reduce costs to reasonable and necessary levels. Evaluation under this criterion will include total development costs per unit, HDSP cost per unit, developer fees and overall soft costs as a percentage of total development cost, per unit operating costs, and reasonableness of costs when compared to similar projects. (15 points)

## 5. ECONOMIC DEVELOPMENT FUND

The Economic Development Fund offers financing solutions to meet the needs of businesses which retain and/or create low- and moderate-income jobs, strengthen the local tax base, support revitalization efforts and enhance the quality of life in the community. This economic development program is offered to local communities for industrial, commercial, service, real estate or mixed-use projects.

This program funds a broad range of economic and community development projects. Economic development projects may include assistance to non-profits and for-profits including small businesses and microenterprise; loans – or loan/grant combinations - for working capital, machinery and equipment, or other business improvements; pre-development studies; economic development planning projects; and public facilities, infrastructure, or public services supporting economic development. Funds can be used by a community or its subgrantee to assist economic development projects with planning, design and engineering, construction, rehabilitation, purchase of machinery and capital equipment, working capital, credit refinancing, incumbent workforce training, real estate acquisition, or public services programs.

In an effort to encourage mixed-use development, Economic Development Funds may be used in partnership with Housing Development Support Program funds, or other CDBG or non-CDBG funding sources, to undertake building improvements for the non-residential components of mixed-use projects. The allowable uses of the funds will be determined on a case-by-case basis, depending on the nature of the project and how it will comply with eligibility, national objective and other program requirements. In addition, the appropriate EDF program component - or financing mechanism - of the Economic Development Fund will also be determined after an analysis of the proposed project or program. Project proponents are encouraged to contact EDF staff as

early as possible in the process. A community may receive no more than one Economic Development Fund grant award in any fiscal year, exclusive of direct assistance to individual businesses and other entities.

In order to receive funding a project or activity must be consistent with one of the following Sustainable Development principles: expand housing opportunities, increase job opportunities, restore & enhance the environment, and must also be consistent with one of the following three principles: provide transportation choice, redevelop first, or concentrate development. Projects must be also be consistent with the municipality's Community Development Strategy.

DHCD anticipates that \$2,900,000 will be available to the Fund during FY 2005: \$2,400,000 will be available from the FY 2005 CDBG allocation, which will be supplemented by an estimated \$500,000 from revolving loan fund program income that DHCD expects to earn during the program year.

### **Grant Award Amounts and Requirements**

#### **(a) *Grants to Communities (formerly Ready Resource Fund)***

- Communities may apply for a wide range of eligible activities supporting economic development including, but not limited to: planning and pre-development studies; acquisition; micro and small business technical assistance programs and regional revolving loan funds; business technical assistance; public social services related to economic development; and infrastructure and public facilities projects in support of economic development.
- Communities may pass through grant funds to another organization/entity providing economic development loan funds, if the organization can demonstrate management capacity and has an established track record of providing/servicing such loans.
- Grant to communities are limited to a maximum of \$500,000. There is a \$50,000 cap, inclusive of planning-related general administration, on all planning grants in an Economic Development Fund application.
- Grants are based on an 18-month implementation cycle.
- Applications will be accepted on an ongoing basis throughout the year, based on funding availability.

#### **(b) *Loans to Individual Businesses and Other Entities (formerly Massachusetts Community Capital Fund)***

- DHCD may make a grant award to a municipality for the purpose of assisting a particular business or other eligible entity for real estate acquisition, new construction and rehabilitation, purchase of machinery and capital equipment, working capital, and credit refinancing. The municipality will then use the grant funds to offer a loan to that business or other entity at terms dictated by DHCD.
- Loans will fund up to one-third (1/3) of the total project costs.
- Financing to a given borrower will be limited to \$500,000 in a fiscal year.
- The minimum financial assistance to a given borrower will be \$100,000.
- The Director of the Department of Housing and Community Development may waive program guidelines to allow for:
  - awards greater than 1/3 of total project costs
  - financing above \$500,000

- financing below \$100,000

- The applicant would need to demonstrate extraordinary circumstances and a strong rationale in order to receive any of these waivers. If the applicant anticipates the need for a waiver, it will be necessary to review all factors leading to this request with appropriate EDF staff.
- Program Income from the repayment of loans has been and/or will be deposited in a revolving loan fund account established under Community Development Block Grant regulations and remain with DHCD. The amount of program income available may vary if loans are either prepaid or the borrower defaults on payments.
- The amount requested/awarded may also include program administration costs to the community.
- Loan repayments will be made to a DHCD authorized agent, as specified in the community's contract with DHCD.
- Loan terms are flexible. The grant period will be up to three (3) years to allow for completion of job creation and/or retention goals.
- Applications will be accepted on an ongoing basis throughout the year.
- DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.

**(c) *Bridge Financing***

- Bridge Financing is a short-term loan – up to 18 months – that enables communities to borrow against the Commonwealth's annual CDBG allocation. DHCD will make up to \$6 million available during FY 2005. Loans will be provided for housing and economic development projects that meet Massachusetts CDBG threshold requirements, national objective criteria, and project evaluation criteria.
- Bridge Financing loan amounts will range from \$250,000 to \$2,000,000. The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.
- Projects must exhibit readiness to proceed, and meet all CDBG requirements. The short-term nature of the Bridge Financing loan limits the types of projects that will be financed.
- Each loan will be fully secured by an unconditional, irrevocable line of credit from a commercial lending institution for the full amount of the loan principal and interest. The line of credit shall be provided by the end-recipient of the CDBG Bridge Financing funds, naming the Massachusetts Department of Housing and Community Development as beneficiary/payee. In addition, the line of credit shall be unconditionally available for drawdown by DHCD in the amount of any shortfall within 30 days of the date that the loan fails to meet the agreed repayment schedule, or upon failure of the grantee or borrower to comply with other specified terms and conditions of the loan agreement.

**Evaluation and Award Criteria for Grants to Communities, Loans to Individual Businesses, and Bridge Financing**

EDF applications will be evaluated according to a two-stage process, which consists of (1) completion of an Application Information Form (AIF) and initial meeting and (2) the application.

- (1) AIF/Initial Meeting - The applicant must submit an Application Information Form (AIF) before DHCD will consider an EDF application. Upon receipt of the AIF, CDBG staff will schedule an initial informational meeting between program staff, and representative(s) of the municipal government to determine if the proposed project meets basic program requirements. If the EDF project will be a loan to an individual business or other entity, an initial meeting may include that business or entity, which will also submit basic financial and business information with the AIF for preliminary EDF staff screening.

Following the initial meeting, the applicant community will be notified in writing of the status of its EDF proposal. If the proposed project(s) appears likely to meet all program requirements, and funding remains available, then the community will be invited to submit a full application. If the proposed project(s) is(are) unlikely to meet program requirements, the community may reformulate the project(s) to address identified inconsistencies or deficiencies, and request another meeting. In no case will more than one revision be considered for a proposed project.

- (2) Application - If the proposed project is considered by program staff to be consistent with program requirements, and likely to meet the threshold criteria discussed in Section D: *APPLICANT/PROJECT THRESHOLDS* above, CDBG staff will invite the community to submit an application. If the applicant does not submit an application within three (3) months of the date of the invitation letter, it will be required to submit another AIF and repeat the two-step application process in order for DHCD to further consider the proposed project.

Applications will be reviewed for completeness, documentation of application / project thresholds, and responses to project-specific questions and comments (project conditions) included in DHCD's letter of invitation. To be considered for funding, a proposed activity must meet all thresholds, and must address all project conditions to the satisfaction of DHCD. In the event there are insufficient funds for all eligible applications, DHCD reserves the right to consider EDF applications out of order of receipt based upon a review of the number of jobs to be created or retained, the impact of a project on the local tax base, such as increase in tax revenues, sudden job loss, levels of matching or leveraged funds, or other compelling circumstances.

Review of applications for loans to individual businesses or other entities will also include:

- **Credit quality** - Evaluation factors include viability of the business or development project, ability to generate cash flow to service debt, and availability of collateral to secure the loan.
- **Financial need for CDBG funds**, in accordance with underwriting guidelines established by the US Department of Housing and Urban Development and state policies.

#### *(d) Section 108 Loan Loan Guarantees*

##### **Description**

Section 108 Loan Guarantees allow eligible communities to access federal loan funds for the purpose of aiding revenue-producing development activities. The program provides communities with a source of loan financing for community and economic development efforts involving industrial, service, commercial real estate, and housing or mixed-use projects. Funding is provided to the community to loan to the business or other entity.

The Commonwealth guarantees repayment of the HUD loan, and pledges its future CDBG allocation as collateral. Actual funding will be provided through the sale of notes by the federal Department of Housing and Urban Development.

This year the Commonwealth will pledge up to \$20 million in future CDBG allocations in support of these eligible activities.

### **Grant Award Amounts and Requirements**

- The minimum award is \$500,000 and the maximum is \$5 million. The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.
- In general, awards from the Section 108 Loan cannot exceed 40% of the total project costs. However, DHCD will consider guaranteeing public infrastructure projects to a percentage greater than 40% on a case by case basis;
- DHCD is willing to consider phased projects, with the caveat that the time frame for full implementation is a maximum of five years or less;
- DHCD or HUD may disapprove applications, or approve a reduced guarantee or approve the request with conditions, such as but not limited to additional collateral and guarantees depending on the structure of the proposal; and
- Loan repayments will be made according to federal regulations, paid to the state on the basis of an agreement between the state (DHCD) and the grantee.

### **Section 108 Guidelines**

Eligible activities include:

- Acquisition of developed or undeveloped property;
- Rehabilitation of real property;
- Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements;
- Relocation payments and other relocation assistance;
- Site clearance and site preparation and construction of public improvements; and
- Payment of issuance, underwriting, servicing and other private sector financing costs.

### **Evaluation and Award Criteria**

*Applicants must contact DHCD prior to submission of an application.* A two-stage process for evaluating potential applications is in effect, consisting of a preliminary screening and a formal application. Applicants also need to review the evaluation criteria and the review process information found in the Economic Development Fund/Section 108 application. Applications will be reviewed on a first come, first served basis, provided that threshold criteria are met and funds are available.

Successful applicants will receive project money from HUD, but the Commonwealth guarantees the repayment of the loan. The Commonwealth pledges its future CDBG grant funds to repay the federal government should a non-entitlement recipient of a Section 108 Loan default. DHCD will not pledge other collateral of the Commonwealth in support of proposals. Any additional security required by HUD must come from another

source. The state has developed an application that provides for thorough review including the following criteria:

- activity must meet a CDBG National Objective, and Public Benefit standards in the case of economic development projects;
- project goals and activities are clearly defined;
- local efforts are consistent with state's economic development agenda;
- creation of public benefits;
- if the public benefit is jobs, the total number and quality of jobs created or retained;
- viability and feasibility of the proposed project;
- revenue projections and firm financial information of the proposed activity;
- revenue source for repayment of the loan must be clearly described and sufficient collateral available to secure the loan, appropriate to the level of exposure and risk;
- application must clearly demonstrate efforts to find conventional financing;
- the amount of financing required and information on any program income that the activity may generate must be included in the application;
- effective and capable management of the proposed activity;
- analysis of primary and secondary economic and fiscal impacts of the proposed activity;
- local community development needs and distress factors as demonstrated by a narrative or a variety of demographic statistics.

## **Section 108 Loan Activities**

DHCD has one application that is currently under review by DHCD and by HUD. If the project sponsor proceeds, and the application is successful, DHCD would commit to use a Section 108 Loan Guarantee to secure financing and guarantee loans for the following project during calendar year 2005:

Everett – \$1 million Section 108 loan for roadwork (right-of-way & construction) for the Norman St./Internet Dr. intersection and entryway into the Rivers Edge (previously Telecom City) project area. The debt service for years 1-8 will be funded with a \$1.2 million Brownfields Economic Development Initiative (BEDI) grant.

In addition, DHCD and HUD approved the following Section 108 Loan Guarantee project in 2003.

North Adams - Massachusetts Museum of Contemporary Art (MASS MoCA): Approximate \$4.3 million loan to partially fund real estate development by the non-profit museum foundation. The \$13 million project involves rehabilitation of two buildings. This project is Phase II of the City and MASS MoCA's revitalization plan for one of North Adams' most distressed neighborhoods.

## **Loan Default**

In the event of loan default, DHCD must be prepared to repay the Section 108 loans to HUD out of the Commonwealth's annual CDBG allocation. In addition to a pledge of future CDBG funds, collateral is provided from other sources, and the two noted above will be heavily collateralized with non-CDBG resources. The possibility exists, however, that the loans default and will need to be repaid from the annual allocation. In FY 2005 the potential liability, or repayment total, could be up to \$370,000 in the event of loan default.



If the loans do not default, or if there is default but the collateral is sufficient to cover the loan repayment (or a portion thereof), then DHCD will reallocate all (or part) of the budgeted default amount among other program components.

Please note that DHCD and HUD scrutinize Section 108 projects very carefully since any loan defaults are guaranteed by future CDBG funds and therefore could have a significant and deleterious effect on future year applications of other cities and towns.

## **6. RESERVES**

The Reserves component is a discretionary pool of funds. An initial allocation of \$600,000 will be budgeted to the Reserves component. Consistent with *Section E. ALLOCATION OF CDBG FUNDS TO THE COMMONWEALTH*, funds may be recaptured by or returned to DHCD at any time during the program year, or reallocated to and from program components including the Reserves component. This of course may result in an increase or decrease to the initial allocation.

On occasion applications, or portions thereof, that were not funded during the competitive process may be considered by the Director of DHCD to be particularly worthy, innovative, or address an overarching local, regional, or statewide need. At the Director's discretion, funds may be made available for projects that address these needs, are consistent with the Administration's goals and priorities, or which are deemed innovative by DHCD. In addition, Reserves may be used to fund projects that were not funded due to administrative error.

Innovative projects include those that would not normally be funded through a competitive round and are unlike projects previously funded by DHCD. The maximum grant amount for an "innovative" project is \$250,000.

Projects funded under Reserves must meet CDBG national objective and eligibility requirements, rules and regulations, feasibility, and project packet score thresholds. Awards will be made solely at the discretion of the Director.

## **7. ADMINISTRATION AND TECHNICAL ASSISTANCE BY DHCD**

The Commonwealth of Massachusetts uses CDBG funds for administrative costs incurred by DHCD during the operation of the Massachusetts CDBG Program. As allowed by federal statute, this amount will equal two percent (2%) of the entire annual grant allocation, plus \$100,000.

An additional one percent (1%) of the allocation will be used for direct technical assistance to eligible municipalities for guidance relating to housing, economic development, including downtown revitalization, community development strategy and plan preparation and use, technical assistance training for non-entitlement communities, and additional assistance determined necessary during the program year.

During this fiscal year DHCD will continue to support and upgrade grantees' software and reporting systems. Technical assistance will be available to several communities for capacity building for downtown revitalization. Assistance will be provided to communities with both deteriorated areas and with downtown organizations that have not been previously supported by DHCD.

In addition, two percent (2%) of program income generated by state CDBG grantees shall be returned to the Mass CDBG Program on a bi-annual basis.

## **DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2005**

### **EXHIBITS**

1. LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS
2. MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2005
3. COMMUNITY WIDE NEEDS SCORES AND PROGRAM ELIGIBILITY
4. COMMUNITY-WIDE NEEDS INDICATORS
5. SUSTAINABLE DEVELOPMENT PRINCIPLES

## **EXHIBIT 1**

### **LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS as of Federal Fiscal Year 2005**

1.	ARLINGTON	19.	MALDEN
2.	ATTLEBORO	20.	MEDFORD
3.	BARNSTABLE	21.	NEW BEDFORD
4.	BOSTON	22.	NEWTON
5.	BROCKTON	23.	NORTHAMPTON
6.	BROOKLINE	24.	PITTSFIELD
7.	CAMBRIDGE	25.	PLYMOUTH
8.	CHICOPEE	26.	QUINCY
9.	FALL RIVER	27.	SALEM
10.	FITCHBURG	28.	SOMERVILLE
11.	FRAMINGHAM	29.	SPRINGFIELD
12.	GLOUCESTER	30.	TAUNTON
13.	HAVERHILL	31.	WALTHAM
14.	HOLYOKE	32.	WESTFIELD
15.	LAWRENCE	33.	WEYMOUTH
16.	LEOMINSTER	34.	WORCESTER
17.	LOWELL	35.	YARMOUTH
18.	LYNN		

## EXHIBIT 2

### MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2005

Communities awarded CDF II Grants in FY 2003 or FY 2004 are prohibited from applying for CDF I or II grants in FY 2005, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** can apply to CDF II.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2003 or FY 2004 on its own may be a participant with a Community Development Fund I, Community Development Fund II or Mini-Entitlement community for **housing activities only**.
- A CDF II eligible community that has successfully administered an FY 2003 or FY 2004 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.
- **Communities with an FY 2005 CWN of 18 or greater may apply to CDF I, regardless of CWN score in prior years.**

DHCD has identified the following communities as ineligible applicants (except as noted above) as a single community for CDF I or CDF II in FY2005; they can apply again for CDF funding in the Fiscal Year noted in parentheses:

ASHBY

(2007)

BELLINGHAM (2006)

BUCKLAND (2006)

DALTON (2006)

EASTHAMPTON (2006)

HADLEY (2006)

HINGHAM (2006)

HOLBROOK (2007)

HOLLAND (2007)

SOUTH

### EXHIBIT 3

#### PROGRAM ELIGIBILITY AND COMMUNITY-WIDE NEEDS SCORES

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Abington town	17		x		
Acton town	11		x		
Acushnet town	17		x		
Adams town	21	x			
Agawam town	17		x		
Alford town	13		x		
Amesbury town	19			x	
Amherst town	19			x	
Andover town	12		x		
Aquinnah town	23	x			
Ashburnham town	14		x		
Ashby town	15				x
Ashfield town	13		x		
Ashland town	14		x		
Athol town	21	x			
Auburn town	16		x		
Avon town	20	x			
Ayer town	22	x			
Barre town	18	x			
Becket town	17		x		
Bedford town	10		x		
Belchertown town	17		x		
Bellingham town	13				x
Belmont town	15		x		
Berkley town	12		x		
Berlin town	19	x			
Bernardston town	17		x		
Beverly city	18	x			
Billerica town	16		x		
Blackstone town	18	x			
Blandford town	14		x		
Bolton town	12		x		
Bourne town	20	x			
Boxborough town	10		x		
Boxford town	9		x		
Boylston town	14		x		
Braintree town	18	x			

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Brewster town	17		x		
Bridgewater town	13		x		
Brimfield town	18	x			
Brookfield town	22	x			
Buckland	16				x
Burlington town	13		x		
Canton town	14		x		
Carlisle town	11		x		
Carver town	17		x		
Charlemont town	21	x			
Charlton town	13		x		
Chatham town	18	x			
Chelmsford town	14		x		
Chelsea city	23			x	
Cheshire town	17		x		
Chester town	22	x			
Chesterfield town	22	x			
Chilmark town	18	x			
Clarksburg town	16		x		
Clinton town	21	x			
Cohasset town	11		x		
Colrain town	21	x			
Concord town	11		x		
Conway town	14		x		
Cummington town	21	x			
Dalton town	17				x
Danvers town	18	x			
Dartmouth town	18	x			
Dedham town	19	x			
Deerfield town	13		x		
Dennis town	20	x			
Dighton town	16		x		
Douglas town	15		x		
Dover town	9		x		
Dracut town	17		x		
Dudley town	17		x		
Dunstable town	12		x		
Duxbury town	10		x		
East Bridgewater town	17		x		
East Brookfield town	16		x		
East Longmeadow town	13		x		

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Eastham town	21	x			
Easthampton town	17				x
Easton town	13		x		
Edgartown town	20	x			
Egremont town	13		x		
Erving town	23	x			
Essex town	19	x			
Everett city	24			x	
Fairhaven town	22			x	
Falmouth town	17		x		
Florida town	22	x			
Foxborough town	14		x		
Franklin town	14		x		
Freetown town	14		x		
Gardner city	21			x	
Georgetown town	14		x		
Gill town	16		x		
Goshen town	17		x		
Gosnold town	23	x			
Grafton town	17		x		
Granby town	13		x		
Granville town	16		x		
Great Barrington town	18	x			
Greenfield town	23			x	
Groton town	12		x		
Groveland town	15		x		
Hadley town	17		x		
Halifax town	17		x		
Hamilton town	14		x		
Hampden town	13		x		
Hancock town	15		x		
Hanover town	13		x		
Hanson town	14		x		
Hardwick town	18	x			
Harvard town	11		x		
Harwich town	22	x			
Hatfield town	17		x		
Hawley town	23	x			
Heath town	18	x			
Hingham town	11				x
Hinsdale town	21	x			

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Holbrook town	17				x
Holden town	13		x		
Holland town	17				x
Holliston town	14		x		
Hopedale town	18	x			
Hopkinton town	10		x		
Hubbardston town	12		x		
Hudson town	18	x			
Hull town	20	x			
Huntington town	18	x			
Ipswich town	18	x			
Kingston town	18	x			
Lakeville town	14		x		
Lancaster town	18	x			
Lanesborough town	18	x			
Lee town	22	x			
Leicester town	16		x		
Lenox town	20	x			
Leverett town	13		x		
Lexington town	11		x		
Leyden town	13		x		
Lincoln town	13		x		
Littleton town	13		x		
Longmeadow town	11		x		
Ludlow town	17		x		
Lunenburg town	14		x		
Lynnfield town	10		x		
Manchester-by-the-Sea town	15		x		
Mansfield town	14		x		
Marblehead town	14		x		
Marion town	15		x		
Marlborough city	18	x			
Marshfield town	14		x		
Mashpee town	18	x			
Mattapoissett town	13		x		
Maynard town	18	x			
Medfield town	9		x		
Medway town	13		x		
Melrose city	14		x		
Mendon town	15		x		
Merrimac town	18	x			



	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Methuen town	22			<b>x</b>	
Middleborough town	18	<b>x</b>			
Middlefield town	20	<b>x</b>			
Middleton town	14		<b>x</b>		
Milford town	22			<b>x</b>	
Millbury town	18	<b>x</b>			
Millis town	14		<b>x</b>		
Millville town	18	<b>x</b>			
Milton town	15		<b>x</b>		
Monroe town	24	<b>x</b>			
Monson town	15		<b>x</b>		
Montague town	21	<b>x</b>			
Monterey town	17		<b>x</b>		
Montgomery town	13		<b>x</b>		
Mount Washington town	14		<b>x</b>		
Nahant town	14		<b>x</b>		
Nantucket town	22	<b>x</b>			
Natick town	15		<b>x</b>		
Needham town	11		<b>x</b>		
New Ashford town	11		<b>x</b>		
New Braintree town	16		<b>x</b>		
New Marlborough town	17		<b>x</b>		
New Salem town	16		<b>x</b>		
Newbury town	13		<b>x</b>		
Newburyport city	18	<b>x</b>			
Norfolk town	9		<b>x</b>		
North Adams city	22			<b>x</b>	
North Andover town	15		<b>x</b>		
North Attleborough town	15		<b>x</b>		
North Brookfield town	20	<b>x</b>			
North Reading town	14		<b>x</b>		
Northborough town	14		<b>x</b>		
Northbridge town	18	<b>x</b>			
Northfield town	16		<b>x</b>		
Norton town	14		<b>x</b>		
Norwell town	13		<b>x</b>		
Norwood town	18	<b>x</b>			
Oak Bluffs town	23	<b>x</b>			
Oakham town	13		<b>x</b>		
Orange town	21	<b>x</b>			
Orleans town	18	<b>x</b>			

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Otis town	18	x			
Oxford town	17		x		
Palmer town	22	x			
Paxton town	12		x		
Peabody city	18	x			
Pelham town	13		x		
Pembroke town	14		x		
Pepperell town	13		x		
Peru town	17		x		
Petersham town	19	x			
Phillipston town	18	x			
Plainfield town	22	x			
Plainville town	17		x		
Plympton town	13		x		
Princeton town	10		x		
Provincetown town	25	x			
Randolph town	18	x			
Raynham town	14		x		
Reading town	14		x		
Rehoboth town	13		x		
Revere city	23			x	
Richmond town	12		x		
Rochester town	13		x		
Rockland town	21			x	
Rockport town	19	x			
Rowe town	19	x			
Rowley town	14		x		
Royalston town	20	x			
Russell town	22	x			
Rutland town	13		x		
Salisbury town	21	x			
Sandisfield town	14		x		
Sandwich town	13		x		
Saugus town	18	x			
Savoy town	21	x			
Scituate town	14		x		
Seekonk town	18	x			
Sharon town	11		x		
Sheffield town	17		x		
Shelburne town	22	x			
Sherborn town	10		x		

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Shirley town	16		x		
Shrewsbury town	13		x		
Shutesbury town	13		x		
Somerset town	17		x		
South Hadley town	17				x
Southampton town	12		x		
Southborough town	11		x		
Southbridge town	22			x	
Southwick town	14		x		
Spencer town	21	x			
Sterling town	11		x		
Stockbridge town	17		x		
Stoneham town	18	x			
Stoughton town	17		x		
Stow town	11		x		
Sturbridge town	16		x		
Sudbury town	10		x		
Sunderland town	21	x			
Sutton town	13		x		
Swampscott town	15		x		
Swansea town	17		x		
Templeton town	18	x			
Tewksbury town	13		x		
Tisbury town	24	x			
Tolland town	16		x		
Topsfield town	9		x		
Townsend town	14		x		
Truro town	23	x			
Tyngsborough town	14		x		
Tyringham town	8		x		
Upton town	13		x		
Uxbridge town	15		x		
Wakefield town	15		x		
Wales town	21	x			
Walpole town	14		x		
Ware town	21	x			
Wareham town	22			x	
Warren town	21	x			
Warwick town	22	x			
Washington town	15		x		
Watertown town	18	x			

	<b>FY2005 CWN Score</b>	<b>Eligible for CDF I</b>	<b>Eligible for CDF II</b>	<b>FY2005 Mini- Entitlement</b>	<b>Not eligible due to prior year funding</b>
Wayland town	11		x		
Webster town	21			x	
Wellesley town	9		x		
Wellfleet town	20	x			
Wendell town	16		x		
Wenham town	11		x		
West Boylston town	17		x		
West Bridgewater town	19	x			
West Brookfield town	18	x			
West Newbury town	10		x		
West Springfield town	21			x	
West Stockbridge town	17		x		
West Tisbury town	15		x		
Westborough town	11		x		
Westford town	11		x		
Westhampton town	13		x		
Westminster town	14		x		
Weston town	11		x		
Westport town	17		x		
Westwood town	10		x		
Whately town	14		x		
Whitman town	18	x			
Wilbraham town	13		x		
Williamsburg town	18	x			
Williamstown town	16		x		
Wilmington town	15		x		
Winchendon town	21	x			
Winchester town	11		x		
Windsor town	17		x		
Winthrop town	18	x			
Woburn city	18	x			
Worthington town	16		x		
Wrentham town	10	x			

## EXHIBIT 4

### COMMUNITY-WIDE NEEDS INDICATORS

MUNICIPALITY: COUNTY:		2000(02) Raw Number	Percent	Quartile	Maximum Possible Points	Score
<b>A. INDIVIDUAL FACTORS</b>						<b>15.0 0.00</b>
Low/moderate income persons (US Census, 2000 universe: 0).....		0	0.0	0	12.5	0.00
Unemployment rate (average annual 2002) .....		0	0.0	0	2.5	0.00
<b>B. COMMUNITY FACTORS</b>						<b>10 0.00</b>
% households w/housing cost burden>=30% of household income (US Census, 2000 universe: 0)		0	0.0	0	3.75	0.00
Total levy per capita, % of per capita income (2002 DOR, US Census estimate, 2000 US Census)		\$ 0	0.0	0	3.75	0.00
Units built prior to 1940, % of total units (US Census 2000 universe: 0) .....		0	0.0	0	2.5	0.00
<b>A and B</b>					<b>25</b>	

## EXHIBIT 5



# Commonwealth of Massachusetts OFFICE FOR COMMONWEALTH DEVELOPMENT

Mitt Romney, Governor ♦ Kerry Healey, Lt. Governor ♦ Douglas I. Foy, Chief

## Enhancing Our Commonwealth

The Office for Commonwealth Development is dedicated to careful stewardship of our natural resources, wise investment in public infrastructure and the expansion of opportunity for all our residents. The beauty and bounty of Massachusetts are the result of decisions made in past generations; our choices today must create value and opportunity for all our residents now and in the future. To improve the health and wealth of all our communities, we must draw together the creativity of our people, the vitality of markets, the resources of government, and the natural treasures we have inherited to design and build communities of diversity and delight for Massachusetts.

The quality of life in all of Massachusetts depends upon growth decisions made in each unique community. Planning for growth in a vibrant Commonwealth means working with those communities to integrate the diverse needs for housing, jobs, services, transportation and historic, cultural, and natural resources. In order to achieve these objectives, the Office for Commonwealth Development will:

- Encourage the coordination and cooperation of all agencies.
- Invest public funds wisely in smart growth and equitable development.
- Give priority to investments that will deliver living wage jobs, transit access, housing, open space, and community-serving enterprises.
- Be guided by the following principles:
  1. **Redevelop first.** Support the revitalization of town centers and neighborhoods. Encourage reuse and rehabilitation of existing infrastructure rather than the construction of new infrastructure in undeveloped areas. Give preference to redevelopment of brownfields, preservation and reuse of historic structures and rehabilitation of existing housing and schools.
  2. **Concentrate development.** Support development that is compact, conserves land, integrates uses, and fosters a sense of place. Create walkable districts mixing commercial, civic, cultural, educational and recreational activities with open space and housing for diverse communities.
  3. **Be fair.** Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning to ensure

social, economic, and environmental justice. Make regulatory and permitting processes for development clear, transparent, cost-effective, and oriented to encourage smart growth and regional equity.

4. **Restore and enhance the environment.** Expand land and water conservation. Protect and restore environmentally sensitive lands, natural resources, wildlife habitats, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open space. Preserve critical habitat and bio-diversity. Promote developments that respect and enhance the state's natural resources.
5. **Conserve natural resources.** Increase our supply of renewable energy and reduce waste of water, energy and materials. Lead by example and support conservation strategies, clean power and innovative industries. Construct and promote buildings and infrastructure that use land, energy, water and materials efficiently.
6. **Expand housing opportunities.** Support the construction and rehabilitation of housing to meet the needs of people of all abilities, income levels and household types. Coordinate the provision of housing with the location of jobs, transit and services. Foster the development of housing, particularly multifamily, that is compatible with a community's character and vision.
7. **Provide transportation choice.** Increase access to transportation options, in all communities, including land and water based public transit, bicycling, and walking. Invest strategically in transportation infrastructure to encourage smart growth. Locate new development where a variety of transportation modes can be made available.
8. **Increase job opportunities.** Attract businesses to locations near housing, infrastructure, water, and transportation options. Expand access to educational and entrepreneurial opportunities. Support the growth of new and existing local businesses.
9. **Foster sustainable businesses.** Strengthen sustainable natural resource-based businesses, including agriculture, forestry and fisheries. Strengthen sustainable businesses. Support economic development in industry clusters consistent with regional and local character. Maintain reliable and affordable energy sources and reduce dependence on imported fossil fuels.
10. **Plan regionally.** Support the development and implementation of local and regional plans that have broad public support and are consistent with these principles. Foster development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit. Consider the long-term costs and benefits to the larger commonwealth.